

RESEARCH AND ANALYSIS OF THE STATE OF SOCIALLY RESPONSIBLE POLICIES OF MINING COMPANIES THROUGH THE EYES OF LOCAL COMMUNITIES

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ABSTRACT. In recent years, socially responsible initiatives in the mining industry have been a fact that companies report both in their financial statements and in their non-financial ones, affirming their reputation. The article presents a study aimed at demonstrating to what extent these policies reach to local communities and how they affect them. The survey was conducted in 10 municipalities in Bulgaria with significant mining enterprises. The results, albeit divergent, prove both the negative impact on the environment and the dialogue and support of businesses to local communities.

Key words: socially responsible policies; local communities; mining companies

ИЗСЛЕДВАНЕ И АНАЛИЗ НА СЪСТОЯНИЕТО НА СОЦИАЛНООТГОВОРНИТЕ ПОЛИТИКИ НА МИННИТЕ КОМПАНИИ ПРЕЗ ПОГЛЕДА НА МЕСТНИТЕ ОБЩНОСТИ

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РЕЗЮМЕ. През последните години социалноотговорните инициативи в минната индустрия са факт, който компаниите отчитат както във финансовите си отчети, така и в нефинансовите си такива, утвърждавайки своята репутация. Статията представя проучване, имащо за цел да покаже до каква степен тези политики достигат до местните общности и какво е отражението им върху тях. Анкетното проучване е проведено в 10 общини на България със знакови минни предприятия. Резултатите, макар и разнопосочни, доказват както негативното влияние върху околната среда, така и диалога и подкрепата на предприятията към местните общности.

Ключови думи: социалноотговорни политики; местни общности; минни компании

Introduction

The past few decades have shown that pursuing a socially responsible policy is the foundation upon which modern companies build their business strategies. This approach helps companies not only to increase their influence on the market, but also to build a positive public image. People today are tolerant of businesses that participate in charitable initiatives and support financial, cultural and social events. Their efforts related to protection of the environment through recycling of consumables (toners, paper, glass, plastic packaging, etc.), introduction of energy efficiency measures and treatment or destruction of hazardous industrial waste are also respected. On the other hand, employees are looking for employers who offer them not just a good remuneration, but also an appropriate social package with care for them and their family members. Thus, with slow steps and regardless of its different forms and manifestations, corporate social responsibility gradually captures companies around the world. CSR means companies to work voluntarily, without being forced by law, to achieve social and eco-goals during their day-to-day business activities (Velev, Radev, 2012).

Despite its fundamental role, the mining industry encounters a very wide range of challenges - such as administrative procedures, large number of permits and the time they require to be obtained and those related to the so-

called "license to operate", or the credibility of the community to develop mining activities. Globally, there is a growing demand for mining companies to be increasingly accountable to society in terms of safety, environment, human rights, and Bulgaria is not isolated from this process. Local communities, as part of the stakeholders, also expect the world's highest standards of work safety and environmental friendliness.

Corporate social responsibility is an important tool for conducting these good business practices through which good partnerships can be achieved. In recent years, its dimensions have been inextricably linked to non-financial reporting, social audit and corporate culture.

Care for the well-being of people and communities where mining is done should be a top priority for companies. The misunderstanding, the misinterpretation of the mining industry and the opposition of green practices industry are a serious problem.

The publication aims to reveal the logical link between socially responsible initiatives and local communities. The most important stakeholders for a company are the human capital (Chobanov, Velev, 2018).

Hand in hand with the employees are also the local communities that often overlap with the first group. They are a major factor when studying socially responsible initiatives by mining companies. The purpose of the publication also predetermines its main tasks:

1. To investigate and analyse the attitudes of part of the mining communities in the field of environmental protection, conduction of regular dialogue and engagement of local communities.

2. To explain the most important issues and perceptions amongst the surveyed communities regarding the following components: environmental protection, regular dialogue with local communities and voluntary participation, investment or support to local community initiatives.

The subject of analysis is the assessment of socially responsible initiatives by the local communities surveyed.

The residents of the municipalities belonging to the Srednogorie cluster – Mirkovo, Chelopech, Zlatitsa, Pirdop and Panagurishte are subject of this survey. The surveys outside this cluster are completed by the local communities in Stara Zagora, Krumovgrad, Kardzhali and Senovo / Vetovo.

The companies that carry out mining activities in these regions are Ellatzite-Med, Assarel-Medet, Dundee Precious Metals Chelopech, Dundee Precious Metals Kardzhali, Aurubis Bulgaria, Kaolin, Gorubso, Maritza East – all with long-lasting socially responsible policies and practices that are formally reported both in their financial and non-financial reports.

The theoretical significance of the publication is justified by the systematisation of current theories as well as the presentation of national significant results of empirical research on the issue. Expectations for increased interest from the mineral-raw business are set.

The hypothesis of the study is as follows: local communities have an active attitude and understand the policies of mining companies in the surveyed regions.

Elaboration and approbation of the questionnaire

For the purposes of this publication, an online and on site questionnaire is used as a source of information, and the respondent is expected to read, render and fill it out. The poll is anonymous in order to ensure the free will of opinions and attitudes of the local communities.

The purpose of the developed survey card is to conduct a CSR study and, in particular, to study the views of the local communities on the company's commitment to socially responsible policies. The survey was conducted in regions with a well-developed mining industry since studies are showing that large enterprises have the potential and resources to implement meaningful socially responsible policies.

The questionnaire contains 9 questions, 3 of which are in the environmental category and 5 in the local community category. The last question seeks to determine to which region the respondent belongs. Respondents were randomly selected.

The questionnaire (Table 1) was completed by 217 people. 82 polls were filled in on site by region. 135 questionnaires were filled in online.

Table 1. *The Questionnaire*

Questionnaire					
1. Do you think mining companies in your region have a negative impact on the environment?	Yes	Rather yes	Rather not	No	I do not know
2. On which part of the environment do the mining enterprises in your region have the greatest and most negative influence?	Soils	Air	Water	Infrastructure	Everything listed
3. To what extent is environmental protection important for mining enterprises in your region?	Very important	Important	Not so important	They do not matter	I do not know
4. To what extent do mining companies consider important the problems that arise from their activities and the local communities?	Very important	Important	Not so important	They do not matter	I do not know
5. Do the mining enterprises in your region have a local community engagement plan?	Yes	Rather yes	Rather not	No	I do not know
6. Do mining companies in your region offer training opportunities for young people from the local community?	Yes	Rather yes	Rather not	No	I do not know
7. Do mining companies in your region regularly conduct a dialogue with the local community?	Yes	Rather yes	Rather not	No	I do not know
8. Do mining companies in your region offer voluntary participation, investment or support to local community initiatives?	Very important	Important	Not so important	They do not matter	I do not know
9. Which local community do you belong to?	Mirkovo	Chelopech	Zlatitsa	Pirdop	Panagurishte
	Stara Zagora	Krumovgrad	Kardzhali		Senovo/Vetovo Other

Analysis of results and discussion

Interaction of companies with the local community is very important for their effective functioning. Globally, leading national and international companies recognise that long-term successful business is not possible without complex reporting of different factors from the external business environment. Company's responsible behaviour towards the local community is a guarantor of their maintenance and the obtaining of the public "license to operate" in the respective region. (Bakardhieva, 2018)

Empirical information clearly indicates that respondents understand the negative impact of mining activities but at the same time also see and understand the commitments of mining enterprises to the environment and local communities. Some weaknesses indicate the answers to the questions "Do mine businesses in your region hold a regular dialogue with the local community?" and "To what extent do mining companies consider important the problems that arise from their activities and the local communities?" The answers to these two questions are diverse and do not give a clear direction. Nonetheless, respondents report a high percentage of voluntary participation, investment, and support for local community initiatives.

Environmental impact means the extent to which business activities have a negative impact on the environment. Obviously, this strand is of utmost importance and relates to some of the most current global issues - air, water, soil and infrastructure pollution. When the business is working in a socially and environmentally responsible way, it gets the approval of local communities and the ability to develop its production.

Over the past two decades, mining companies have clearly started to realise that economic activity, environmental protection and social engagement are closely linked. More and more environmental commitments are being made, implementing the best technologies and practices. 45.5% of the respondents believe that mining companies have a significant and negative impact on the environment. 25.7% think "Rather yes" – that they have such an impact. The percentage of respondents who consider that the enterprises do not have or rather do not have any harmful influence – 11.20% and 12.30%, respectively, should also be noted. 5.30% of the respondents do not know whether the mining business in the region damages the environment.

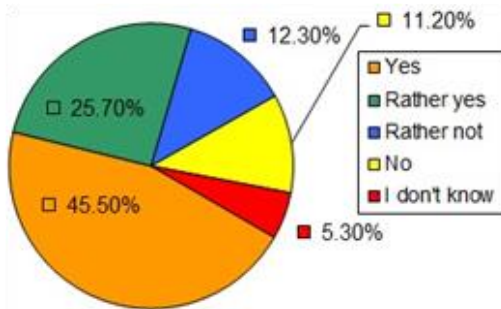


Fig. 1. Do you think mining companies in your region have a negative impact on the environment?

Numerous technical and organisational actions have been undertaken in recent years to maintain a high level of emission control and to minimise all releases of harmful substances into air, water and soil. These are the components on which the mining companies have the greatest and most negative influence, and the respondents confirm it. 39.30% of them consider that the enterprises affect negatively and equally all components, where the largest share falls on air and soil components – 22.00% and 17.20%, respectively.

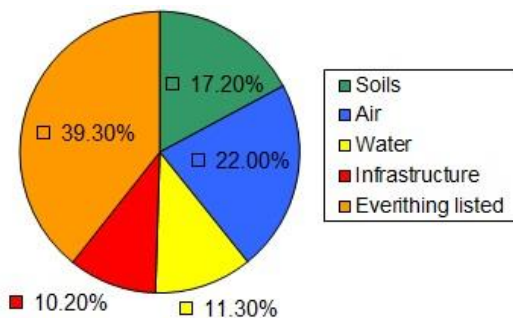


Fig. 2. On which part of the environment do the mining enterprises in your region have the greatest and most negative influence?

Over the last two decades, there has been a continuous reduction in specific emissions of heavy metals in mining regions. For example, Aurubis Bulgaria declares that over the same period it has reduced the specific emissions of SO₂, dust and heavy metals by more than 95%. Total water consumption in 2017 was decreased by about 30% compared to 2003. The company has been building a stand-alone air quality monitoring system that has been in operation since 1999.

Dundee Precious Metals Chelopech has implemented a number of large-scale projects for modernisation of the infrastructure and the facilities, with projects focusing mainly on production efficiency with care for the environment and human health. The most significant projects are:

- Modernisation of the ventilation system by installing a new, highly efficient fan;
- Modernisation of the Chelopech tailing pond and of the fermentation plant;
- Construction of a modular waste water treatment plant for domestic and faecal water.

With a triple increase in yield compared to 2004, in its Sustainability report (2018) Dundee Precious Metals Chelopech declared:

- 43% reduction in the quantity of disposed mine waste per tonne of extracted ore;
 - 41% reduction in the amount of used fuel;
 - 90% decrease in discharge of tailings water into the environment;
 - 60% reduction in the amount of cement per tonne of extracted ore used to fill the seized areas in the mine;
 - 74% reduction in fresh water consumption;
 - 28% reduction in consumed electricity per tonne of ore;
- Towards the end of 2018, a total of 22.5 hectares of land damaged by mining activity in the past were reclaimed, with over 160 000 trees and shrubs being planted and grown. (Sustainability Report, 2018)

The leading companies in the Srednogorie (Assarel Medet, Dundee Precious Metals, Elatzite Med, Aurubis Bulgaria, etc.) are also implementing a number of environmental projects to modernise production and protect the environment. All these efforts are unequivocally appreciated by respondents, with 40.90% believing that environmental issues are "Very Important" for companies and 23.10% identifying them as "Important". 11.30% think that companies are not concerned with the environment, and 15.60% – that it is not that important.

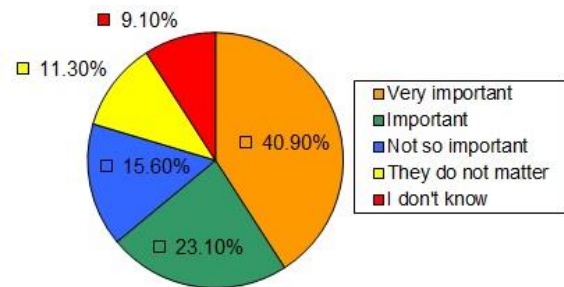


Fig. 3. To what extent is environmental protection important for mining enterprises in your region?

Mining companies around the world are actively involved in the communities in which they carry out their activities. Their participation is perceived as a strategy for encouraging the local population on the one hand, and on the other – integrating the members of the company and the community. The mining industry is among the sectors with high social expectations. Moreover, the condition to start working is to obtain the so-called "social license to operate". For example, Assarel-Medet supports annually the implementation of sustainable local initiatives by signing a donation agreement

with Panagyurishte Municipality. Separately, it is carrying out significant investment projects on the model of the public-private partnership during the implementation of the company's programme "Support for homeland". Thereby, the company contributes to the higher standard of living of the population in the region by financing infrastructure projects, supporting social activities, education, health, culture, sports, youth initiatives, tourism, etc.

The 27.80% and 25.10% consider that local communities are "very important" and "important" to mining enterprises, respectively. However, the percentage of respondents who think that local communities do not matter (19.30%) or are not so important (19.30%) is serious. Possible cause is a missing dialogue with all stakeholders.

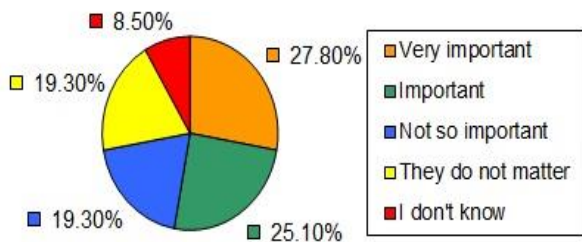


Fig. 4. To what extent do mining companies consider important the problems that arise from their activities and the local communities?

The objective assessment of the effectiveness of the financial resources invested in addressing the needs of the local community implies the use of a wealth of tools from the companies - consulting the local population, assessing the compliance with the expectations of the main local stakeholders. As a result, enterprises should develop short-term and long-term strategies and concrete development plans for the region and the local community in which they operate (Bakardhieva, 2018).

There are different forms of social investment. In general, Stefanova (2018) described them as:

- Investments in capacity building – these investments bring benefits to both the company and the local stakeholders by generating inclusive processes, strengthening the confidence in them and building engagement and good relationships.
- Investments through direct funding – this is the most common form of investment in local communities which can be done through the following tools: donation, sponsorship, subsidy, community investment, scholarship, etc.
- Investing through employee engagement – this is one of the company's core tasks as its employees are a key stakeholder and the first test for its social projects. The forms of investment in this case are through volunteering and payroll donation.

The significant percentage of respondents (39.30%) who are not familiar with the plans of the mining enterprises to engage the local community is quite impressive. In comparison with this percentage, the share of those who claim that companies have a plan or rather have a plan is relatively small, 17.20% and 22.00%, respectively.

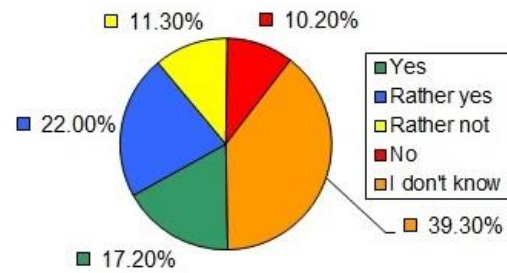


Fig. 5. Do the mining enterprises in your region have a local community engagement plan?

Community involvement and its development are essential for the enterprise and for improving the local community in which it operates. It goes beyond the definition and the engagement of the stakeholders with regard to the impact from the organisation's activities. Supporting and building relationships with the community increases the value of the company. This often solves or prevents problems, encourages partnerships with local organisations. Creating jobs and developing skills can encourage economic and social development.

Trends with regard to employment in the sector show a relatively permanent and steady decrease. Nevertheless, the Bulgarian mining industry remains one of the largest employers on national level, with employees' wages higher than the average ones (Galabova, Nestorov, 2019).

The recruitment of young people from the local community is an essential element for promoting employment and helping people to live with more dignity. 47.10% of the respondents categorically believe that mining companies offer training opportunities for young people from the local communities. 26.70% answer "Rather yes" to the question.

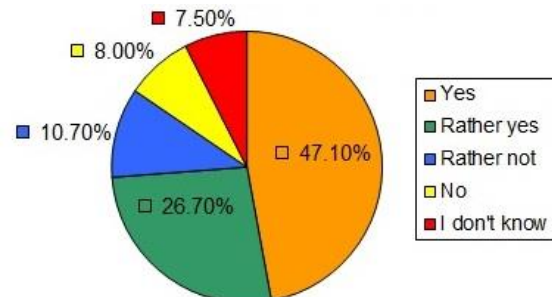


Fig. 6. Do mining companies in your region offer training opportunities for young people from the local community?

Commitment and community development through dialogue is a continuous business process. The Association of Global Communities gives guidance in this direction to ensure establishment of relationships based on trust and mutual respect. They are described by Stefanova (2018):

1. Getting to know the community – every active member of the community knows its peculiarities, resources, needs, structure of power and decision-making processes. Companies have the ability to monitor the local press, send their representatives to local events or research, make use of local services as well as of current projects in the different directions.

2. Active listening to community representatives – making active conversations with various organisations or informal groups with or without a reason is extremely important. It is not only good to have official relations established, but also informal channels for receiving information – talks with occasional people, unplanned visits to public places.

3. Organising discussions to create a common vision – the pre-identified common interests and the people who share them are a logical first active group “to draw” a common picture of community development. This can only happen at joint meetings where individuals and organisations share their vision of the ideal community and if it is shared by everyone.

4. Preliminary assessment of the resources, needs and problems of the local community – such meetings as well as individual conversations make it possible to identify the “weak” places of a community – lacks, limitations and deficits. They can also be used to discuss the priority of the individual areas of possible intervention by the company.

5. Choosing Priority Directions for Work – the most successful strategy is to help community members recognise and identify their deficits and problems themselves. This means active search and acceptance of help to overcome them. They are leaders in their own development and in most cases they have the knowledge, the capacity and the readiness to take the right actions. When the company participates by providing tools, resources, moderation, and household, it facilitates the process but does not recognise it as its own commitment and responsibility.

6. Creating a small working group – a relatively small, committed and ambitious team is needed to successfully carry out an activity which can create a pilot “tool for change”. In the beginning it can take up some of the functions and then transfer them to the existing community organisation.

7. Develop an action plan – together with a small but active part of the society, a comprehensive strategic plan can be developed that includes long, medium- and short-term goals as well as actions to achieve and share with the others. Plans must be understandable and acceptable to members of the community, indicating a direct link between goals, activities, responsibilities, timelines and resources.

8. Implementation of the Action Plan.

In the context of the question related to a regular dialogue with the local community by the mining companies, there is no dominant answer. 21.90% think that ‘Yes’, companies run a regular dialogue and 24.10% – “Rather yes”. 19.80% responded with “Rather not”, 21.90% with ‘No’ and 12.30% with “Do not know”. The hesitation in the answers indicates uncertainty and problem in this component.

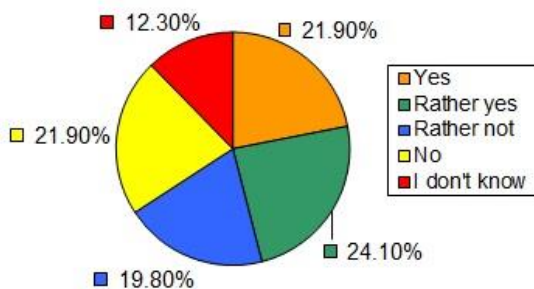


Fig. 7. Do mining companies in your region regularly conduct a dialogue with the local community?

Although local communities are generally unaware of the existence of a plan to engage them, 31.20% of the respondents strongly claim that mining companies offer voluntary participation, investment or support to local community initiatives, while 28.50% say “Rather yes” as an answer.

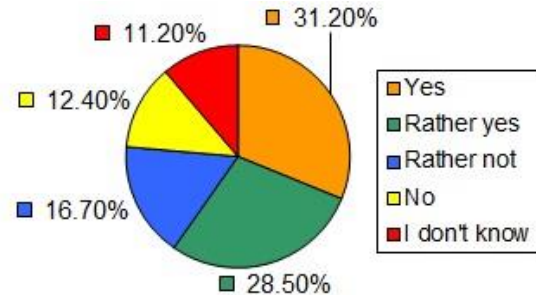


Fig. 8. Do mining companies in your region offer voluntary participation, investment or support to local community initiatives?

The last question concerns the local community to which the respondents belong. The largest share is the population of Zlatitsa, followed by those from Pirdop, Senovo/Vetovo, Panagyurishte, Chelopech and Stara Zagora. The lowest is the share of Mirkovo, Krumovgrad and Kardzhali. 3.80% indicate “Other” as an answer.

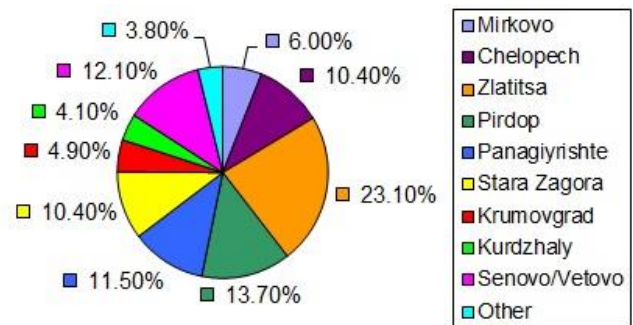


Fig. 9. Which local community do you belong to?

Conclusion

Corporate Social Responsibility approaches are a flexible tool in the company’s dialogue with local communities. In this sense, interactions with local communities should be seen not as a company expense, but as a sustainable investment in the future. Effective interaction of companies with local communities contributes to the sustainable socio-economic development of regions, ensures good management of non-financial risks (corporate, ecological) and corporate reputation, accumulation of resources (financial resources, technologies) achieves sustainable goals and builds trustful relationships between businesses and local communities.

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